

28 August 1951

CIA No 49327
Copy No.

33

DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

*Army, DIA and State Dept reviews
completed*

TOP SECRET

TOP SECRET

SECTION 1 (SOVIET)

1. USSR. Kremlin sensitive to recent US-Morrison charges: A Moscow commentary contributed by the Soviet Peace Committee was devoted to the possibility of the coexistence of capitalism and socialism. After drawing the usual distinction between the "average American" and the US Government, and reiterating that "capitalism has always turned to war as a way out of internal difficulties," the commentary defended the USSR "policy of collaboration" thus:

"The Soviet citizen knows from experience that war means unhappiness. The Soviet Union has proposed a big five pact; the American State Department called this a peace trap. The Soviet Union has persistently presented concrete proposals in the UN for reducing armaments; the US turned down all these proposals. Economic relations provide a basis for peaceful cooperation; since the end of the war the US has passed laws and regulations barring trade with the USSR."

Comment: Many similar articles have appeared in Soviet output during the past two weeks. The USSR's sensitivity to the recent US-Morrison charges that the Kremlin is suppressing civil liberties and is withholding the truth about the West's attitude toward the Russian people is revealed in:

- (a) the defensive tone of these articles,
- (b) the current practice of leveling these very charges against the US, and
- (c) the simultaneous publication of articles on "democratic privileges" in the USSR.

2. Soviet representatives sound out Norwegian foreign policy: [redacted] 25X1
[redacted] has reported that the Soviet Embassy recently gave a party for two members of [redacted] for the purpose 25X1
of soliciting information on the following points:

- 1. Will Norway as a member of NATO follow the US lead and sharply restrict trade with the USSR?
- 2. What is Norway's attitude concerning admission of Turkey to the Atlantic Pact?

TOP SECRET

TOP SECRET

3. Will Norway declare Koshelev (Soviet Assistant Naval Attache implicated in the Per Danielsen espionage case) persona non grata and request his recall following a trial?

25X1 [redacted] also described I. S. Merkulov, Second Secretary of the Soviet Embassy, as head of the Soviet Intelligence Service in Oslo. [redacted]

25X1A

Comment: The first two questions may have been asked as an indirect means of indicating to the Norwegian Government that the Soviet Union would react unfavorably to any further restriction of trade with the USSR or to Norway's agreement to admit Turkey to the Atlantic Pact. It is doubtful that Norway would be intimidated by such a maneuver.

3. EASTERN EUROPE. CZECHOSLOVAKIA. Prague anti-aircraft defenses improved: Eight additional 88-mm anti-aircraft guns have appeared in a Prague suburb. Four of these are excellently camouflaged and have centrally-located directing equipment, according to the US Military Attache. (S Prague, DA IN-9592, 25 Aug 51).

Comment: There has been a gradual but systematic build-up in the number of AA gun emplacements and radar sites in the Prague area.

4. Army Day celebrations to stress alliance with the USSR: According to the Czechoslovak press, Army Day celebrations scheduled to reach their climax on 6 October, will begin on 20 September in commemoration of the 1944 crossing of the Czechoslovak frontier by the Red Army. Exhibitions have been planned in regional towns to stress the importance of the Soviet-Czech military alliance. Public athletic contests will be staged by the Czechoslovak Army to prove its physical preparedness. (S Prague, DA IN-9628, 25 Aug 51).

Comment: The Czechoslovak Army is a second-rate fighting force as a result of obsolescent equipment, lack of leadership from purges, poor morale, and the general unreliability of its troops. Moreover, the lack of Soviet-type equipment, inadequate training in Soviet tactics, as well as the incomplete reorganization of units and staffs to conform to the Soviet pattern, would detract from the effectiveness of any joint operations by Soviet and Czechoslovak forces.

5. BULGARIA. Government takes official cognizance of complaints: The Council of Ministers has decreed a procedure for handling "complaints, applications and proposals made by the citizens." This action climaxes a propaganda campaign to reassure the Bulgarian population that failure to remedy conditions evidenced by popular complaints has been strictly a matter of local rather than high-level government inefficiency and inertia. According to the new law, municipal and village councils must

TOP SECRET

TOP SECRET

make decisions on complaints within twenty days, and within ten days for "military or mobilized persons." Okrug (county) organizations must make decisions within thirty days. (U FBID, 24 Aug 51).

Comment: Above the village and county councils, the decree reveals the usual Communist vagueness in the placing of responsibility for action. The decree is nothing more than a convenient means by which the government can gracefully sidestep responsibility for peasant and worker unrest and "legally" charge the local organizations with failure to placate the population.

6. RUMANIA. Liberation Day festivities routine: With the exception of the appearance, for the first time, of jet planes with Rumanian markings the celebration of Rumania's Liberation Day varied little from that of last year. Foreign delegates, both from the USSR and the Satellites, were of approximately the same level of importance. US "warmongering" received about the normal amount of attention in the speeches, but fewer anti-US and British placards were in evidence. Various church dignitaries from outside of the Orbit, who have been in the USSR and other Satellites recently (including the Patriarch of Antioch and the Red Dean of Canterbury), were in the reviewing stand. The US Legation interprets the fact that Marshal Voroshilov in his lead speech twice mentioned Petru Groza, the non-Communist Premier, as the Soviet answer to numerous rumors that Groza is slated for removal from his high position. (C Bucharest 88, 24 Aug 51).

7. Jets appear at Liberation Day parade: Fifteen Yak-15 jets with Rumanian markings participated in the 23 August Liberation Day parade together with 24 planes of the Yak-7 type. Sixteen thousand troops marched in the five-hour parade. Equipment included 48 self-propelled guns and 42 T-34 tanks. (C Bucharest 88, 24 Aug 51).

Comment: This is the first time that jet planes with Satellite markings have been definitely identified in either Rumania, Hungary or Bulgaria.

8. YUGOSLAVIA. Allen urges early devaluation of dinar: US Ambassador Allen in Belgrade considers it important that the devaluation of the Yugoslav dinar proceed without unnecessary delay since the current official dinar rate has little more than nominal, symbolic significance. Allen states that a realistic revaluation of the dinar on the world market would streamline central control of currency balances, remove the negative item in the Yugoslav balance of payments caused by black market dealings, and equalize the internal and foreign dinar values which would encourage Yugoslav producers to sell on the foreign market. Enterprises heretofore have been deterred from exporting owing to the greater profit derived

TOP SECRET

TOP SECRET

from domestic sales. Allen feels that a two week study of the Yugoslav financial organization by an International Monetary Fund mission would yield a satisfactory estimate of the desirable dinar rate level. (S Belgrade 248, 25 Aug 51).

Comment: Yugoslav officials recently advised the International Monetary Fund staff that they will probably wish to discuss a change in the par value of the dinar immediately after the IMF annual meeting on 15 September. The IMF staff replied that before announcing a new par value, an IMF mission must arrive at an adequate judgment based on a study.

TOP SECRET

28 Aug 51

TOP SECRET

SECTION 2 (EASTERN)

1. INDIA. Good will mission from China: A 15-man good will mission consisting of historians, philosophers, writers and artists will visit India in October, according to the United Press of India. The mission, sponsored by the Communist Chinese Government, will study various aspects of Indian life and establish closer relations between the peoples of India and China before returning to their own country via Burma. (U New Delhi 728, 25 Aug 51).

Comment: The arrival of this delegation from China will undoubtedly have some propaganda value. It may add impetus to the activity of the Sino-Indian Friendship Association inaugurated in Calcutta in February 1951. (See Daily Digests, 11 Apr, 14 May, 4 June 51).

2. BURMA. Burmese Government releases imprisoned Karens: The US Embassy in Rangoon reports that in accordance with a new screening program, a number of Karen leaders and soldiers have been released. There are also indications that some of the Karens will be readmitted into the army. The Burmese Government hopes that these Karens will return to their homes and influence their followers to accept the government's terms for setting up a Karen State under the constitution. The embassy comments that while these developments indicate a more realistic approach to the Karen problem by the government, final solution remains distant. (S Rangoon 218, 25 Aug 51).

Comment: Settlement of the Karen insurrection would constitute a long step towards restoring stability in Burma and would permit Burma to gird itself better for the struggle to remain free of Communist domination. There is reason to believe that genuine reasonableness on the part of the government would be reciprocated by Karen leadership. However, any negotiations for a settlement will be tedious and delicate.

3. Ne Win-Socialist friction continues: US Embassy in Rangoon reports that unless Supreme Commander Ne Win gives up his unpopular mistress another crisis will develop in the near future between the general on the one hand and the Socialists and ranking army officers on the other. The embassy states that the only logical successor to Ne Win, should he be replaced, is Brigadier Kyaw Zaw, who is described as an "independent Communist nationalist." (S Rangoon 218, 25 Aug 51).

Comment: Friction between Ne Win and the Socialists will inevitably lead to a showdown regardless of the former's private life. Almost nothing is known about Kyaw Zaw except that he is currently the Commanding Officer of the South Burma Sub-District.

TOP SECRET

TOP SECRET

4. Pro-Communist party makes gains: The pro-Communist Burma Workers and Peasants Party (BWPP) is displaying a degree of organization and ambition heretofore unknown in Burmese party politics, according to US Embassy Rangoon, and there is little doubt that it is growing fast. Party headquarters recently announced that its members in parliament will press for abrogation of Burma's ECA agreement and for the sending of a cultural mission to the USSR and the Satellites. (S Rangoon 218, 25 Aug 51).

Comment: The BWPP has maintained constant contact with the Chinese Communist Embassy, from which it almost certainly receives financial assistance. It is also believed to be in touch with the insurgent Burmese Communists. This is the first report, however, that the BWPP is developing a following of any significance.

5. THAILAND. Chinese Communist involvement in plot to seize part of northern Thailand reported: [redacted]

[redacted] the Chinese Communists may assist Thai navy rebels who escaped "north of the Thai border" to seize a portion of northern Thailand "possibly within the next two months."

Comment: [redacted] Bangkok has been notoriously unreliable in the past. [redacted] have reported that only a handful of naval personnel who participated in the abortive June coup found their way northward. This force would be incapable of successfully undertaking such an adventure with any assistance short of outright intervention by Chinese Communist Forces; such intervention does not appear probable at this time.

6. INDONESIA. Information sought on Chinese USIS employees: [redacted] the circulation manager of the pro-Communist Sumatra Bin Poh, who is also a member of the Communist-controlled Medan Overseas Chinese General Association, has been making inquiries regarding Chinese who are employed by the USIS office in Medan. He says he is interested in learning whether or not they are patriotic Chinese. [redacted]

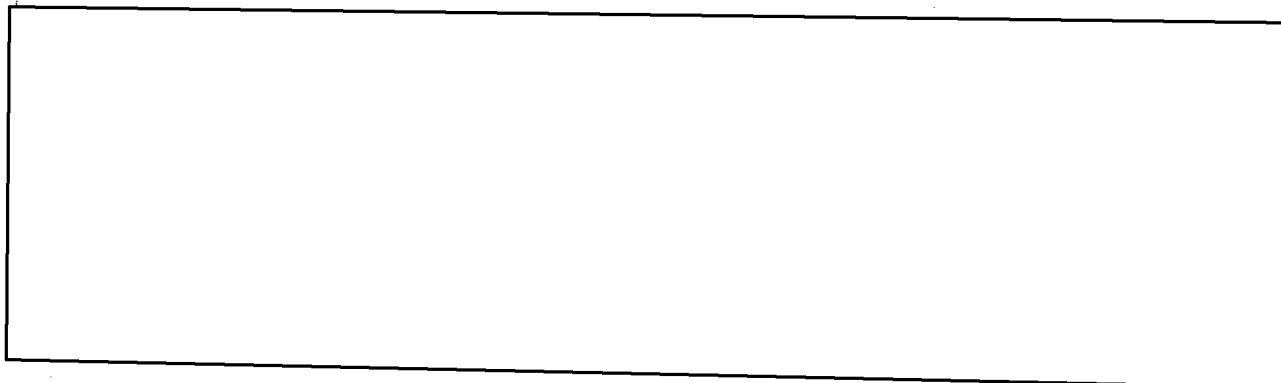
Comment: These inquiries have been made since the arrival of the Chinese Communist Consul in Medan.

7. [redacted]

TOP SECRET

TOP SECRET

25X6



8. CHINA. Poor planning wastes public funds: A recent Peiping directive officially confirms Communist press reports of waste of public funds in construction work due to poor planning. The directive seeks to remedy this situation by reducing subsidiary agencies' independence of action and requiring them to submit additional reports. The US Consul General in Hong Kong comments that the directive can only result in a greater burden on the inadequate number of capable administrators. (S Hong Kong 787, 24 Aug 51).

Comment: The Peiping regime suffers seriously from lack of competent administrative and technical personnel. This lack is aggravated by the regime's over-centralization. Peiping is seeking to solve this problem--and thereby creates others--by large-scale recruitment and assignment to the hinterland of high school and university students.

9. Peiping complains of shortage of students and lowering of standards: The Chinese Communist press notes that in Southwest China the number of students attending high schools and colleges has decreased 23 percent in the past six months, and in East China students are being compelled to attend so many political meetings that their academic work is suffering. The US Consul General in Hong Kong comments that there is little prospect of an early solution to the overemphasis on political activities and the demands of the armed forces and "empire-building" agencies for increased personnel. (S Hong Kong 787, 24 Aug 51).

Comment: The difficulties noted in Southwest and East China are probably general throughout China. The Communists have themselves to blame, as they have put pressure on the students to work for the government before they are well qualified and have subordinated practical to doctrinal considerations as a matter of national policy.

10. Changes reported in the Chinese Nationalist cabinet: Several recent reports indicate that there may be a shake-up in the Chinese Nationalist cabinet because of the recent resignations of the Minister of Economics

TOP SECRET

TOP SECRET

and the Minister of Finance. The latter is said to have resigned because of his inability to meet increased government expenses required by the military. It is expected that Chen Cheng will remain as Premier.

George Yeh, present Foreign Minister, may be forced to resign if the Nationalists are unable to negotiate a bilateral treaty with the Japanese shortly after the signing of the multilateral treaty by the other nations, as Chiang Kai-shek is displeased with Yeh's failure to secure Nationalist participation in the conference. [redacted] S
NA Taipei, Weeka 34, 24 Aug 51).

25X6

Comment: In an attempt to arrive at an understanding between Japan and Nationalist China on the signing of a peace treaty before the opening of the Legislative Yuan on 15 September, Foreign Minister Yeh has [redacted] negotiating with Japan concerning the dispatching to Formosa of a representative of the Japanese Government. Yeh is considered to be too pro-Western in his ideas on Nationalist government problems and for this reason there has been a movement to replace him.

25X1

11. Kuomintang leader Chen Kuo-fu dead: Chen Kuo-fu, a veteran leader of the Chinese Nationalist Kuomintang party, died on Formosa of tuberculosis on 26 August. (U UP Taipei, 26 Aug 51).

Comment: Chen, with his brother Chen Li-fu, were the founders of the most conservative bloc of the Kuomintang, known as the "CC Clique." In recent years this group has not overtly played an active part in Kuomintang. The death of Chen Li-fu is not expected to bring about any significant changes in the Kuomintang program.

12. Fourth Field Army expected to move to Korea: [redacted]
[redacted] all of the Chinese Communist Fourth Field Army will move into Korea shortly. He further states that the Communists recently [redacted]

25X1

25X1

25X1

Comment: This report tends to confirm earlier reports of plans for the return of Fourth Field Army units to Korea and of [redacted] in China. However, it seems more probable that some units of the Fourth Field Army not previously in Korea have gone or are now en route to Northeast China. Also, on the basis of current reports of the replacement program in units recently returned from Korea, it is doubted that they can possibly be ready for combat by early fall. It cannot be accepted that the entire Fourth Field Army will leave Central and South China, since the public security and militia units are still incapable of controlling and defending these areas from anti-Communist elements and the other field armies have too many commitments of their own to fill the void. (US Armlo, Hong Kong 566, C-3, 24 Aug 51).

TOP SECRET

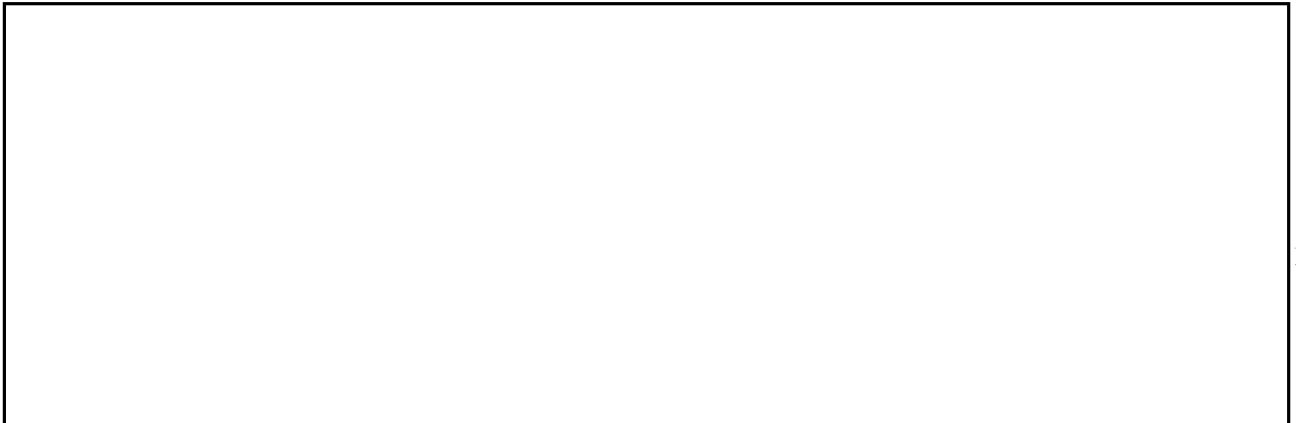
TOP SECRET

13. KOREA. Communists can support 46-division attack for 26 days: The Far East Command estimates that enemy forces have accumulated sufficient supplies to support the 28 Chinese Communist and 18 North Korean divisions currently accepted south of the 39th parallel in a 26-day attack. This estimate is based on observation of over 35,000 vehicles moving southward in forward areas during the period from 23 June to 22 August and indicates the largest supply build-up during the Korean war.

Although in all previous offensives the enemy has successfully accumulated stockpiles in forward areas prior to opening the attack, the enemy's inability to move supplies forward to exploit any successes has been his outstanding deficiency. The Far East Command suggests that the enemy may have attempted to remedy this shortcoming and that he may be able to launch another offensive with a much improved supply capability immediately behind the front. (S CINCFE TELECON 5081, 26 Aug 51).

25X6

14.



TOP SECRET

TOP SECRET

SECTION 3 (WESTERN)

1. FRANCE. US intervention in Saar issue is discouraged:

25X1

25X1

statements of Schuman and Adenauer that these leaders are optimistic for an early solution of the issue.

Embassy Paris fears that even an inquiry by the US on the Saar question might be regarded by the French as another in a series of questions concerning Germany on which the US is already "seeking to influence the French." Such an inquiry might thus prejudice the settlement of other more important current issues. Moreover, it would probably lead the French to endeavor "to nail down US support" for a French-slanted settlement which would be more "generously" formulated if additional time were allowed before definitive positions are taken. (S London 1012, 23 Aug 51; S Paris 1208, 24 Aug 51)

Comment: The US High Commissioner in Bonn previously commented that the 3 August note of the Western Allies, answering Chancellor Adenauer's 29 May protest against the Saar Government's policies, settled little and "the issue remains one of current interest and considerable controversy."

2. AUSTRIA. Anti-Communist bombs and Soviet meddling increase Austrian tensions: Viennese newspapers reported on 21 August that bombs exploded on the premises of Communist Party installations in the 3rd and 9th Districts of the Austrian capital. The Communist Volkstimme asserts that ten similar incidents have so far been reported and that "Fascist" perpetrators of assaults on Communist club rooms and movie theaters have not been apprehended. Demanding explanation for the failure to punish such outrages, the Volkstimme asks if the culprits are in fact connected with the Ministry of the Interior and police headquarters.

At the same time, non-Communist papers have reported new interferences in internal Austrian affairs by the Soviet occupation authorities. Special coverage has been given to Soviet Kommandatura punishment meted out to a St. Poelten hotel (in the Soviet zone) for having feted a visiting Italian soccer team without prior Soviet approval. Another instance of interference is cited in Soviet attempts to force a local mayor to dismiss a gendarmerie official who had incurred Soviet displeasure. (R FBIS--Vienna press, 21 Aug 51; U Vienna 717, 23 Aug 51)

TOP SECRET

Comment: While perhaps insignificant in themselves, the number of recent instances of Soviet interference suggests a pattern of increasing tensions. Minister of Interior Helmer has alternately viewed with alarm and discounted the seriousness of the Soviet-Communist potential for inciting trouble in the coming months. In a recent conversation with Commissioner Donnelly, Helmer flatly asserted that many reports of attacks on Communist installations were faked, and suggested that they were designed to provide a security excuse for direct Soviet intervention. Believing that such incidents may perhaps become serious in the fall, the Minister nevertheless continues optimistic in his conviction that Austrian police are competent to maintain order.

3. ITALY. Enlisted army personnel respond to Communist peace propaganda: The Communists have met with some initial success in seeking to obtain peace pledges from soldiers in North Italian military camps and maneuver areas in an effort to strengthen their peace campaign. Small meetings are arranged and propaganda leaflets distributed in nearby communities which the men are allowed to visit during off-duty hours. The major unit commanders have issued orders that the troops abstain from any participation in such meetings. It is believed this order will largely prevent further Communist activities of this nature. (C Rome, Joint Weeka 34, 24 Aug 51)

Comment: The orders issued may prevent the attendance of the men at the meetings, but will not remove all contact between the Communists and the soldiers. Probably 10% of the enlisted men are active Communists or at least receptive to Communist influence.

4. Italians increase agitation over Trieste issue: Intensification of Italy's campaigning for the return of Trieste reached a new climax with the statement by a semi-official Italian news agency that if Yugoslavia "persisted in refusing a compromise solution" it would risk an "increase in (Italo-Yugoslav) tension which Italy considered especially inopportune at this moment." During the past week there has been a resurgence of interest in the Trieste issue in the Italian press at home and in Trieste.

In Italy the conservative independent press declares it is impossible to make further concessions after the sacrifice of so much territory, and alludes to De Gasperi's remarks that Italy will not agree to use of the Trieste issue as a bargaining point for revision of the Italian peace treaty of 1947. Assuming that the British favor the Yugoslavs and the US champions the Italians, it charges that the US should exert greater pressure on Tito. Harriman's visit to Belgrade is interpreted as an attempt by Yugoslavia to counterbalance De Gasperi's projected visit to the US in September. The Communist papers speculate as to whether Harriman has been charged with mediation of the Italo-Yugoslav dispute.

TOP SECRET

TOP SECRET

Trieste newspapers indicate fear of the growing strength of the independentist movement supported by pro-Cominform Communists in the area. (C Rome, Joint Weeka 34, 24 Aug 51)

Comment: The urgency of Italian representation regarding Trieste springs partly from a feeling that Italy's bargaining position is deteriorating, but partly from De Gasperi's uneasiness regarding his decreasing popularity, even in his own party.

5. ICELAND. US reconnaissance of Soviet fishing fleet desired: In response to a US inquiry, the Icelandic Foreign Minister has indicated that he would greatly appreciate reconnaissance by US naval vessels during the month of September to observe the activities of Soviet fishing vessels off the Icelandic coast. (TS Reykjavik 33, 24 Aug 51)

Comment: Although Soviet fishing in Icelandic waters has been an annual occurrence since 1948, the Icelanders are suspicious of either hostile or subversive motives for the presence of Soviet vessels. (See OCI Daily Digest, 6 Aug 51.)

6. NORWAY. Foreign Office believes limited trade with USSR and Poland may be feasible: A Foreign Office official believes that Poland may still agree to some type of trade with Norway despite Norwegian restrictions on strategic exports, and that the USSR apparently desires a continuation of trade relations on a limited basis. Attempts by Poland to obtain goods through various channels and Soviet interest in barter deals are cited as evidence that there is an economic basis for a continuation of trade. The Foreign Office believes, however, that negotiations with Czechoslovakia in the fall will be difficult and any trade arranged will be less than in the past. Norway would particularly like to see a renewal of the three-year agreement with the USSR which expires in January, exchanging USSR grain for herring and fats, but adding the exchange of Soviet manganese for Norwegian aluminum. (S Oslo, 214, 24 Aug 51)

Comment: Negotiations for renewal of Norway's annual trade agreements with both Poland and the USSR have been stalemated over prices and quantities of strategic commodities.

During the discussions of East-West trade relations now going on under UN auspices in Geneva, the USSR delegate has stated that Western European nations must be willing to export the same goods to the USSR as they did in 1949-1950 in order to maintain the level of East-West trade for those years. In addition to sundry non-strategic goods, the USSR received from Norway aluminum, molybdenum and pyrites in 1949 and aluminum in 1950.

TOP SECRET

TOP SECRET

7. UNION OF SOUTH AFRICA. Two government parties to merge. The Afrikaner Party, minority party in the present coalition government, unanimously agreed to amalgamate with Premier Malan's Nationalist Party at a special party congress in Bloemfontein on 23 August. (U NY Times, 24 Aug 51)

Comment: This move is important mainly as formalizing the Nationalists' achievement of full control over government policy, independent of restraint by their less extremist junior partners. For the first two years of the Malan government the Afrikaner Party held the balance of power in the House of Assembly, refused all Nationalist overtures to merge and also refused to accept a Nationalist measure to restrict the voting rights of Colored (mixed breed) citizens. Victory in South West Africa's elections in August 1950, however, gave the Nationalists enough votes to make them independent of Afrikaner Party support. A compromise reached in October 1950 on the Colored vote removed the major difference between the two parties, and since that time a formal merger has been generally anticipated.

TOP SECRET

Approved For Release 2002/07/03 : CIA-RDP79T01146A000400030001-5

25X1

Approved For Release 2002/07/03 : CIA-RDP79T01146A000400030001-5

25X1A
28 August 1951

CIA No. 49327-A
Copy No.

39

S/S CABLE SUPPLEMENT

TO THE DAILY DIGEST

Not for dissemination outside O/CI and O/NE.

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Central Intelligence.

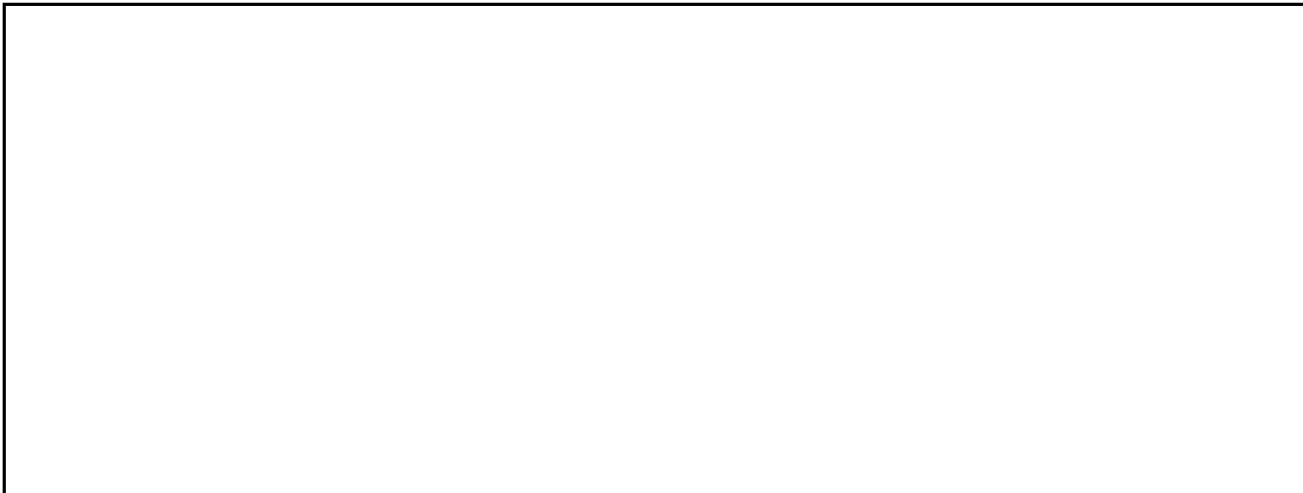
TOP SECRET

TOP SECRET

SECTION 2 (EASTERN)

25X6

1.



SECTION 3 (WESTERN)

2. FRANCE. French ready to approve Greek and Turkish admission to NATO: Unqualified French approval of NATO membership for Greece and Turkey will probably be forthcoming this week, according to a Foreign Office spokesman. Although the Cabinet has not officially acted on the question, Schuman has secured enough support to ensure approval.

The French representative on the three-power NATO Standing Group reports some progress toward the acceptance of French views on the distribution of command posts in the Mediterranean area. (TS, S/S Paris 1215, 25 Aug 51).

Comment: The French have abandoned their conditional approval of two weeks ago. France has been jealous of US and UK influence in the Eastern Mediterranean, but the Foreign Office probably now believes that the Standing Group will extend its control eastward and thus protect French interests in the area.

TOP SECRET

28 Aug 51